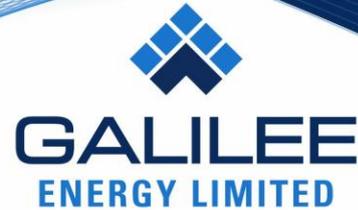


Glenaras Gas Project - Drilling Update

ASX/MEDIA ANNOUNCEMENT

7 May 2018



- ❖ Glenaras 10L successfully drilled with approximately 520 metres of net coal intersected in the R3 coal seam primary target.
- ❖ Glenaras 12L successfully drilled with approximately 410 metres of net coal intersected.
- ❖ Coal cuttings from all wells show excellent, bright coal quality with strong cleating.
- ❖ Completions rig is scheduled to mobilise next week to install pumps.
- ❖ Mid-June start-up of production testing still on track.

Galilee Energy Limited (ASX:GLL) ("Galilee") wishes to provide a further update on drilling operations at the Glenaras multi-lateral pilot programme.

As per previous announcements, Easternwell Rig 101 commenced drilling operations with the Glenaras 10 well on 23 March. On 9 April, the Company reported that the lateral section of Glenaras 10L, the central well in the pilot, had been successfully drilled as planned with approximately 520m of net coal intersected in the well through the R3 coal seam primary target.

On 23 April, the Company announced that Glenaras 12L had successfully spudded. The Company is pleased to advise that Glenaras 12L was successfully drilled with approximately 480m of net coal intersected through the R3 coal seam. While attempting an in-seam sidetrack from this wellbore, in order to execute the third lateral for the pilot in preference to returning to Glenaras 11L, the rig encountered drilling problems due to localised stability of the coal approximately 70m into the new sidetrack coal section.

Equipment is currently onsite to attempt to free the bottom hole equipment. The Company is confident the main Glenaras 12L lateral is still intact and will be fully available for production testing. Once this recovery work is complete the rig will then demobilise from site.

Galilee has determined that, given the high quality of the coal and the challenges encountered with lateral drilling in this coal, the pilot will be a two well lateral with production from the Glenaras 10L and 12L laterals. At this stage no further drilling work will be attempted at Glenaras 11L. Initially, Glenaras 11L will be utilised as a monitoring well to assess reservoir depletion. If needed, the well can be completed at any future time for production.

The workover rig is scheduled to mobilise to site in approximately 10 days' time to complete the Glenaras 10L and 12L laterals with electric submersible pumps. Surface facilities will then be installed, and production start-up remains on schedule for mid-June.

“While I am disappointed that we could not execute the full three lateral pilot, the drilling difficulties we are encountering are consistent with good quality, cleated coal and we are very confident that the two laterals will be sufficient to achieve our objectives and book first reserves for the Glenaras Gas Project. The information gained from this drilling campaign will be important in assessing the optimal strategy and well construction type for forward development”, Managing Director Peter Lansom stated.

The pilot will be on production for an extended period to de-water and lower the pressure in the surrounding coal to achieve gas flow. This process is likely to take 4-6 months.

Peter Lansom
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About Galilee

Galilee Energy is focused on creating a mid-tier exploration and production company building on its core strengths in coal seam gas appraisal and development. Its primary area of focus is Queensland where it is appraising the Galilee Basin whilst looking to add further acreage to its portfolio.

Directors

Chairman – Ray Shorrocks

Managing Director – Peter Lansom

Non-executive Director – Dr David King

Non-executive Director – Stephen Kelemen

Shares

Shares on issue – 189,707,690

Top 20 holders – 45.5% *

Directors and Management – 7.6%

***As at 6 April 2018**